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SHARING THE WEALTH IN BRITAIN

by Felix Morley

Those who would estimate the political future in Great Britain, as a primary determinant of the future of Europe, should be sure at the outset that they appreciate the major political asset of the British Labour Party. Criticism of Prime Minister Attlee's Government has greatly increased during the past three months. But it is probable that a majority of the electorate would still indorse the "attack on privilege," as it is called, behind which all elements in the Labour Party are united.

This attack takes the form of a levelling policy, both financial and social, which can be and is described as democratic. It is facilitated by wartime necessities and precedents, many of which are now regarded in England as permanent. The underlying issue is one of social revolution, both broader and deeper than that nationalization of key industries on which public attention has been disposed to focus.

The effects of the democratic trend on an essentially aristocratic national tradition are apparent to the casual observer. They can be seen throughout the countryside, where scarcely any of the great estates of England's spacious days now remain in private hands. They can be seen in the West End of London, where the big "town houses" of the gentry are being requisitioned by local government for conversion into "flats," or taken over for the ever-growing network of official bureaus.

Statistics, however, frame the visual picture helpfully. And some very cogent figures are to be found in an admirable analysis on National Income and Expenditure of the United Kingdom (Cmd. 7099) released by the wholly non-political Central Statistical Office early this month.

In the fiscal year ending March 31, 1939, the last full year before the outbreak of the recent war, 7,000 British taxpayers retained a net income of £6,000 and over after the payment of income tax. In the fiscal year ending March 31, 1946, the number of individuals retaining net income upwards of £6,000 ($24,000 at present exchange) had fallen to 45.

The decline remains precipitous in the case of the number of British taxpayers retaining a net income of £4,000 and over, being from 19,000 to 885 in this case. From this bracket comes most of the invest-

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ment necessary to make the capitalist system work. And the figures do not represent the whole loss, because in 1939 the purchasing power of the pound was at least one-third above that of the post-war period.

II

Final returns for the fiscal year which ended March 31, 1947, will also show the number of Britishers retaining a net income of over $24,000 at fewer than 50, out of a total population of nearly fifty million. And for the current fiscal year the results will be the same.

The budget presented to the House of Commons by the Chancellor of the Exchequer (Dr. Hugh Dalton) on April 15 provides a considerable tax saving for those in the lower income brackets. It continues unaltered the policy of confiscating, by sharply graduated taxation, all individual income, from whatever source, which would leave the recipient a net of more than $24,000 per annum. The coming of peace has made no difference to the Labour Party policy of "soak the rich."

There was a time when the British regarded taxation as a scientific method for raising the revenue required by government. That principle has been repudiated by the Labour Party, which frankly regards the income tax as a device for securing a more equitable -- or democratic -- distribution of individual purchasing power. In the official "White Paper," already cited, the attention of the reader is called to "the change in the distribution of income brought about by taxation."

As significant as the elimination of the wealthy is the temporary improvement in the position of those at the bottom of the income scale. Everyone agrees, with enthusiasm or with reservations, that the unskilled laborer in Britain is better off today than was the case ten years ago. Here again statistics reinforce the results of observation and inquiry.

In the fiscal year 1939 a total of 2,270,000 Britishers had net incomes, after payment of income tax, of from £250 to £1,000 per annum. In the fiscal year 1946 the number in this class had increased to 5,877,000. Although the taxable basis is now being narrowed the numbers receiving incomes of from $1,000 to $4,000 is still climbing, partly because many of the very poor have been raised to the bottom of this bracket and partly because many of the middle class are being pressed down into its top.

In nearly two years of office the Labour Government has cut the imposition of the income tax on the poor by from 50 to 100 per cent, while purposefully keeping its incidence on the rich at wartime levels. And taxation is not the only agency by which a uniform living standard is being enforced in a country where there was once sharp demarcation between "upper," "middle" and "lower" classes.

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As important as taxation, in the levelling process, are the "cost-of-living subsidies" which are being progressively stepped up by the Labour Government. Like the confiscatory income tax, these subsidies were a wartime emergency development which the Labour Party now indorses as permanent policy. The subsidy is applied to food products of universal consumption, such as bread, tea, eggs and meat, but to some extent also to "utility" clothing and shoes. In the fiscal year ending April 1 they cost the taxpayers the huge sum of nearly £400,000,000 and in the current budget they are estimated at £425,000,000 ($1,700,000,000), out of a total anticipated expenditure of £3,181,367,000.

In other words, almost 14 cents of every British tax dollar is being spent to provide essential food and clothing at less than cost. The benefits of the subsidy apply to all, of course. But since most subsidized articles are strictly rationed the effect is to make the Englishman with higher earning capacity pay not only for the government subvention which he receives, but for that of the relatively untaxed poor as well.

The subsidy policy is credited, along with the rigorous governmental controls, for having kept the "working-class cost of living index" very stable. This index is now only 132, on a basis where costs on September 1, 1939, are measured as 100. But stable prices have restrained, rather than prevented, wages from rising. The latter have moved up an average of 65 per cent during the period that the cost of living has increased half that amount.

So there are, to recapitulate, three major lines along which Great Britain is being socialized. They are (1) an income tax policy which is confiscatory for the rich while simultaneously lenient to the poor; (2) a subsidization policy which, combined with strict rationing, provides the bare essentials of life at low cost while insuring that the well-to-do, so far as any remain, can find no outlets for extravagant living; (3) a policy of permitting -- though not encouraging -- wage increases while constantly stepping up (as in the current budget) the almost numberless sales, profits, transactional and inheritance taxes.

There is no question that the calculated result of all this is a development of social democracy. There is equally no question that this development is strangling the capitalist system in Great Britain.

As the sources of "venture capital" are drained dry by a Socialistic Government the average business man, tied hand and foot by priorities, controls, regulations and shortages, becomes increasingly pessimistic about the future of free enterprise. He advises his son not to carry

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on the family undertaking but to "get into the Civil Service," where he may enjoy the curious pleasure of issuing countless governmental directives, as opposed to the ceaseless misery of trying to fulfill them.

IV

The catch, now becoming unconcealably apparent, is that an ever-increasing bureaucracy, pouring out more and more directives, can do little or nothing to meet Britain's primary need of increased production.

The somewhat belated anxiety of the Socialist Government in regard to production is exemplified by the publicity campaign planned to stir the workers to greater output. Posters are to be placed in 90,000 places of employment and at 13,000 centers where they will attract a maximum of public attention. They are of striking design, with two constantly repeated slogans: "We're up against it" and "We work -- or want."

The Chancellor of the Exchequer summarized the situation equally grimly in his recent Budget Speech, telling the House of Commons: "We must export or we shall expire." A huge volume of exports is of course essential to Great Britain, to obtain funds to purchase food necessary to supplement its limited agricultural output, and to buy many essential raw materials. Pending the commercial development of atomic energy, coal remains the only natural resource which Great Britain possesses in really abundant quantity.

There is no doubt that the relative failure of coal production, during the past hard winter, has severely shaken public confidence and seriously frightened Prime Minister Attlee and his Cabinet. Concentrated attention is now being given to the problem of stimulating output, but the fallacy of emphasizing distribution before production still continues. A high official in the Ministry of Fuel told me that he looks forward with grave apprehension to May 1, when the five-day week becomes mandatory in the nationalized coal mines. Production, now about 15 per cent below the 1938 level, may then decline even further.

The magnitude of the production problem, of which coal is only an outstanding instance, will be considered in a subsequent analysis. It is causing many British Socialists to reconsider doctrinaire ideas. For the situation no longer permits them to laugh off such warnings as that issued by Winston Churchill on April 18, when he said:

> "The prolongation of the present system of denying rewards and sharing miseries will break the mainspring of the country and, if it is continued, it will only be a question of time before we shall be unable to support our population."

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Not Merely Gossip *A Supplement to* Human Events VOL. IV, NO. 18

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By Frank C. Hanighen April 30, 1947

The Twentieth Century Fund report on the possible trend of American economy up to 1960 offers an optimistic and highly reassuring picture in these days of price confusion and forebodings of recession. It is no mere affirmation of faith and hope, like some statements of business organizations. It is a sober opinion reached after a detailed and exhaustive investigation, carried on by twenty experts under the direction of Dr. J. Frederic Dewhurst. The report expresses the conviction that our economic system is capable of attaining much higher levels of production, efficiency and widespread prosperity than ever before. But perhaps the greatest significance of the report's conclusions is its rejection of a theory which did great harm to economic thinking -- and governmental policies -- in the 1930's: the theory of the economic maturity of America.

Dr. Alvin Hansen of Harvard was the most prominent exponent of this notion, the reasoning of which ran about as follows: Once youthful and vigorous, the American economy had become old, "mature" -- with the frontier gone, population growth tapering off, technology having reached its limits, investment enjoying diminishing opportunities. The dynamic age, said the Dr. Hansens, had passed and a period of stagnation had been reached, the only remedy for which was extensive government investment and intervention. This picture of a "cripple" economy fated to walk only on government crutches is repudiated by the Twentieth Century Fund's picture. Instead, the report draws the outlines of an erect, healthy and dynamic figure. The American economic machine is still capable of striking progress.

The best debunking of this Hansen theory was performed by a former Brookings Institute economist, Dr. George Terborgh, in a too little noticed book, The Bogey of Economic Maturity (1945). The author, with a wealth of statistical evidence, shows the fallacy of that argument. But he is also careful to emphasize that the cure of depressions remains "an imperative of economic policy." He goes on: "Sound therapy cannot rest on a mistaken diagnosis. . . . The task of cyclical stabilization is difficult enough without the distraction of stagnationist soothsayers. Even if we renounce the fatuous perfectionism of 'sixty million guaranteed jobs,' aspiring rather to the more modest immediate goal of relative stability, the task is still difficult. It is not, however, impossible. To its accomplishment, haunted no longer by the demons of economic maturity, we can proceed with courage and resolution." The Twentieth Century Fund report offers a sound diagnosis and a basis for faith. The resolution lies elsewhere.

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The result of last week's Congressional by-election in the 2nd District of Wisconsin interests all political analysts. The Republican candidate, Glenn R. Davis, defeated his Democratic opponent, Carl W. Thompson, by the scant majority of about 900 votes out of a total of 47,000 cast. The Republican candidate last November, the late Robert K. Henry, carried the district by 68,794 as against a Democratic vote of 39,637. Only once in the last 35 years -- in the landslide of 1932 -- has a Democrat won this seat. The Democratic National Committee has claimed that this narrow electoral margin indicates a change of sentiment in Wisconsin.

Prudent observers are inclined to discount some of the Democratic assertions. The Republican machine was over-confident; bad weather diminished the farmers' vote, regarded as normally Republican; and there were other unfavorable circumstances. It is also to be remembered that the 2nd District is not exactly typical of the whole state; Dane County, which casts about 40 per cent of the total vote, has long been the stronghold of the La Follette Progressive dynasty. The area differs somewhat from other parts of Wisconsin.

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Nevertheless, the GOP has reason to view the outcome with some concern. What apparently happened was that many former adherents of the Progressive Party -- which last year rejoined the Republican Party -- balloted for the Democrat. The Madison Capital-Times, principal newspaper in the district, and Progressive organ, backed the Democratic candidate. Harry Sauthoff, former Progressive Member of Congress from this district, ran against Davis in the primary, was defeated and threw his support to the Democrat. It may well be questioned whether this situation will be duplicated in the future elsewhere in the state; and the Democratic Party confidence may prove premature. But clearly the GOP state leaders face the problem of holding a not inconsiderable number of Progressive voters who resent the yoke of the Right Wing state machine. Furthermore, it cannot be ruled out of consideration that discontent with Republican national policies, as expressed in Congress, had something to do with the result.

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In a sort of belated lunar grasp for power, General de Gaulle has started his own party, the anti-Communist, "Reunion of the French People," and with it perhaps the most dangerous phase in post-Liberation politics. Observers of the European scene actually look with more apprehension on the tall military figure of the General than on the proletarian bulk of Communist chief Thorez. For de Gaulle has played directly into the hands of the Communists. By his attack on the Constitution, he presented the Communists with a golden opportunity to pose as defenders of the Fourth Republic, and in such a role to call for the support of the unfortunate, disintegrating Socialists, as well as other groups. His actions threaten to split the moderate Center party, the MRP (Mouvement Republicain Populaire), up to now one of the best political bulwarks against the Communists.

The General, as the only war hero to emerge from the Liberation, has enjoyed a good potential position for rallying the growing opposition to Communism in France. His policy, however, sets back the chances of forming a really democratic front against the influence of Moscow. Some Frenchmen think that the chances of civil war in France are far from imaginary. Therefore observers are anxiously watching de Gaulle, whose temperament is such that he might well make a mistake fatal to his own country and to Western Europe.

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The budget axe on Capitol Hill has chopped away much spendthrift undergrowth, but it cannot be expected to penetrate solid concrete. It is too generally assumed that the Appropriations Committees have simply to pare or eliminate requests from Government departments for funds. Actually, these committees are powerless before continuing contractual arrangements entered into by previous Congresses.

A survey of the estimates for the budget of the Federal Security Agency reveals these roadblocks in the path of economy. Grants and benefits, listed therein, are each backed by laws sometimes enacted a decade ago. These grants and benefits are classified as either "discretionary" or "mandatory." The former, of course, can be eliminated. But the latter must be included in the Congressional appropriations and must be paid, as legal obligations. In this category in FSA are numerous items like $50 million for "hospital and vocational" activities and $4 million for the "training of nurses."

Another interesting example is an appropriation in the budget of the Department of Agriculture for "Exportation and Domestic Consumption of Agricultural Commodities." It is provided by law that 30 per cent of the gross receipts from duties collected under the customs laws during the preceding calendar year are appropriated for purposes which include encouraging "the domestic consumption of such commo-

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dities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade or commerce."

Senator Styles Bridges of the Senate Appropriations Committee in a speech on April 24 told one illustrative tale: "The letter [from the Civil Service Commission asking for $408,742.08] contains a request for its insertion in the bill. . . . The Congress in 1944 and again in 1946 passed bills authorizing annunities for life to civilians who participated in the building of the [Panama] Canal, most of whom were there for a relatively short time. Notwithstanding whether or not we feel that this appropriation is justified, Congress has established this annuity system. Even though I regret it, I do not see that I, as Chairman of the Committee, can do anything else than send the amendment to the desk."

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Generally speaking, when dog bites dog, it is not news. But it may be worth while to make an exception by giving consideration to the prediction by a nationally known commentator that Assistant Secretary Spruille Braden will soon resign. Since the commentator has been an admirer of Braden, his prophecy commands attention. Investigation among circles in a position to know brings a report that there is indeed much talk about such a resignation, but no real confirmation. They add, however, that a certain plan is under advisement, not to ask for Braden's resignation, but to curtail his power. Braden would be converted into a purely administrative functionary charged with dealing with various missions and personnel in Latin America; and, at the same time, a new office would be created for shaping Latin American policy, with General John H. Hilldring as chief. The future of the plan is held to be uncertain. But it is remarked that Hilldring is a close friend of Secretary Marshall; and that any such reorganization would hardly strengthen Braden's hand.

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With numerous Cassandras predicting a serious recession, it is reassuring to find one responsible authority taking a much more cautious view. This source, a private economic organization, we have found correct in its appraisals during recent years and therefore present its observations, for what they may be worth, as follows:

While consumer goods' sales have slumped considerably, durable goods have recently made an encouraging upturn from lows of several months ago. Despite the popular impression that department store sales have fallen to low levels, investigation reveals that they are holding up rather well in comparison with the peak of a year ago. As for the prevaiing pessimistic attitude towards building, it is noted that actually the March volume of contracts is encouragingly high. Some of the popular misunderstanding of the building situation is blamed on the Department of Commerce which, in a public statement, had underestimated the rate of volume of new contracts for this quarter; and then emphasized the fact, publicly, that they had fallen short of the prophesied level. Building is really running not very much below what had been forecast [by the private economic organization], and would pick up rapidly with any drop in lumber and other material prices.

A decline in food prices seems likely sooner or later, but if the downward movement is broad it will have a constructive rather than a wide deflationary effect. Farmers are in a far better financial position today to undergo a reduction in farm prices than they were in 1920. Consumers would thereby benefit by the release of funds for purchase of manufactured goods. Prices of manufactured goods are not nearly as much out of line with consumer income as was the case in 1920; and prices in that field seem much less vulnerable. In short, it is doubted that a fall in food prices will, as in 1920, initiate a widespread and serious deflationary process.

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Notes and Quotes

Congressman Harold Knutson, Chairman of the House Ways and Means Committee, has forcefully stated the fundamental economic reasons for his demand for a reduction in taxes (as quoted in the Baltimore Sun, April 27): "It has long been evident that taxes can be reduced this year and the debt reduced substantially also. In the face of bitter criticism, I so insisted during consideration by the Ways and Means Committee of H. R. 1 and during House consideration, and I so maintain now. This is true in the face of unexpected Administration commitments for huge expenditures in the foreign field.

"There is more at stake in this issue than relief for 44,000,000 hard-pressed taxpayers, or a reduction in the national debt, vital as both these steps are. The continuation of our system of private enterprise is involved. The quickest and surest way to kill that system is to continue Government spending on the scale advocated by the Truman Administration and to continue the existing tax burden.

"So long as taxes remain where they are, there can be no incentive for anyone to risk money in new ventures and new business, which will make more jobs. Small business is under a great handicap. When taxes are taken into consideration, the returns are far too small by comparison with the risks involved. The field thus is left to the larger corporations, and that makes for more and bigger monopolies.

"The measure passed by the House aims not only at easing the tax burden. It is intended to encourage venture capital and thereby to keep our economy in a healthy and expanding condition."

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The London Economist (March 29) cuts through the current arguments about federalization and centralization of German government by urging the treaty makers not to write any German constitution, but to leave the task to the Germans. "The Allies should not impose on Germany anything that they will not be ready to uphold; and what they do put in the treaty they must be ready to insist upon.

". . . it is already apparent that the peace settlement will present so many weak spots in the Allied front where it will be possible for the diplomacy of a revived Germany, without needing to be very clever, to insert an effective lever. Why add to the grievances, why add to the difficulty of upholding the settlement by imposing a constitution on the Germans? It is quite certain that the Germans will some day be in the position to devise their own system of government, and equally certain that anything that has been imposed by foreigners will be anathema to them. . . . If the new German republic is to last, its constitution must be made by Germans and if, by waiting a year or two, this result can be achieved, the delay would be well worth while.

"The Allies have a right and a duty to insist on certain minimum guarantees. But it must be a very short list if it is to have a chance of survival. Two items must be on it: the new German republic must neither possess nor manufacture weapons of war; and it must guarantee to its citizens the essential rights of human liberty, enforceable if need be by appeal to an external tribunal."

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Dr. Edgar Rees Tulloss in a speech at the recent annual meeting of the National Lutheran Council said: "Let us not shut our eyes to the fact that the greatest conflict that mankind has ever known is spreading throughout the world. Two diametrically opposing views are fighting for the allegiance of man -- Communism and Christianity. Central Europe is the first battleground. If we lose the battle there, our chances for winning elsewhere, including our own land, will be tragically diminished. Involved are both our love for democracy and our Christian loyalty. A Communistic nation was one of our associates in World War II. Let no one think that she is our associate in seeking to build the Kingdom of God."

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